

Message Text

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PARIS FOR OECD, BRUSSELS FOR USEC

E.O. 11652: GDS
TAGS: ETRD, EC, AU
SUBJECT: AUSTRIAN/EC STEEL DISCUSSIONS

REF: BRUSSELS 19583

1. NEW EC STEEL IMPORT CONTROLS ARE CAUSING CONSTERNATION AND GREAT CONFUSION IN AUSTRIAN STEEL CIRCLES AND FURTHER DEPRESSING THIS ALREADY WEAKENED SECTOR OF AUSTRIAN ECONOMY. SHIPMENTS EN ROUTE (LARGELY OF SPECIALTY STEELS) HAVE BEEN STOPPED AND HELD AT FRENCH AND ITALIAN BORDERS-- BUT CONTINUE TO BE PERMITTED ENTRY INTO FRG--AND AUSTRIA'S MAJOR PRODUCER IS NOW HOLDING BACK 20,000-30,000 METRIC TONS WHICH HAD BEEN SCHEDULED FOR DELIVERY TO EC MEMBERS. SINCE EC IS AUSTRIA'S MAJOR STEEL CUSTOMER, ACCOUNTING FOR OVER 50 OF ALL EXPORTS LAST YEAR, DEGREE OF CONCERN IS UNDERSTANDABLE.

2. ON JAN 13, GOA REPS ARE SCHEDULED TO JOIN COUNTER-PARTS FROM OTHER EFTA MEMBER COUNTRIES FOR JOINT DISCUSSION WITH EC AUTHORITIES IN BRUSSELS. FONOFF SOURCE
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TELLS US THIS IS TO BE PRIMARILY TECHNICAL MEETING, PERMITTING EC TO EXPLAIN ITS SYSTEM AND PLANS. NEXT WEEK BILATERAL GOA-EC NEGOTIATIONS ARE SCHEDULED TO WORK OUT ARRANGEMENT FOR SHIPMENTS OVER "SHORT TERM".

3. ALTERNATIVES OPEN TO GOA SEEM TO BE ESSENTIALLY (A) A SPECIAL STATUS ARRANGEMENT WITH THE EC (RELATED TO

ARTICLE 20 OF THE AUSTRIAN-EC AGREEMENT) WHICH WOULD GUARANTEE A MARKET SHARE BUT AT CONTROLLED PRICES; OR (B) A NON-PREFERENTIAL ARRANGEMENT INVOLVING NO QUANTITATIVE GUARANTEES BUT ALLOWING GREATER PRICE FLEXIBILITY. WE SUSPECT GOA WOULD PREFER THE FORMER BUT THERE IS CLEAR AWARENESS OF THE PROBLEMS INVOLVED SINCE AUSTRIA PRESUMABLY WOULD HAVE TO INSTITUTE A SIMILAR REGIME FOR THE MORE THAN 70 PERCENT OF ITS STEEL IMPORTS COMING FROM THE EC, AND THE EC IS NOT AUSTRIA'S ONLY IMPORTANT EXPORT MARKET FOR STEEL. THE DETERMINING FACTOR MOST LIKELY WILL BE THE TERMS THE EC WILL BE WILLING TO OFFER, AND DESPITE FACT THAT AUSTRIA'S TRADE DEFICIT WITH THE COMMUNITY IS ALMOST AS LARGE AS ITS EXPORTS TO THAT AREA, THE EC HAS NOT BEEN GENEROUS IN DEALING WITH PREVIOUS GOA TRADE PROBLEMS. WOLF

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